

DEPARTMENT OF FINANCIAL INSTITUTIONS

MICHAEL A. KELLEY, Commissioner
www.dfi.ca.gov



Monthly Bulletin

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Subprime Mortgage Lending

The Department of Financial Institutions expects all licensees to comply with the federal financial regulatory agencies' "[Statement on Subprime Mortgage Lending](#)" issued June 29, 2007, to address issues relating to certain adjustable-rate mortgage ("ARM") products that can cause payment shock. The statement describes the prudent safety and soundness and consumer protection standards that institutions should follow to ensure borrowers obtain loans they can afford to repay. These standards include a fully indexed, fully amortized qualification for borrowers and cautions on risk-layering features, including an expectation that stated income and reduced documentation should be accepted only if there are documented mitigating factors that clearly minimize the need for verification of a borrower's repayment capacity.

Consumer protection standards include clear and balanced product disclosures to customers and limits on prepayment penalties that allow for a reasonable period of time, typically at least 60 days, for customers to refinance prior to the expiration of the initial fixed interest rate period without penalty. As noted in the statement, regulatory agencies will continue to carefully review risk management and consumer compliance processes, policies, and procedures, and take action against institutions that exhibit predatory lending practices, violate consumer protection or fair lending laws, engage in unfair or deceptive acts or practices, or otherwise engage in unsafe or unsound lending practices.

The statement reinforces the April 17, 2007 interagency "[Statement on Working with Borrowers](#)," in which the agencies encouraged institutions to work constructively with residential borrowers who are financially unable or reasonably expected to be unable to meet their contractual payment obligations on their home loans. Workout arrangements that are consistent with safe and sound lending practices are generally in the long-term best interest of both the financial institution and the borrower.

Deputy Commissioner Peter A. Van Hoecke Retires

Peter A. Van Hoecke, Deputy Commissioner of Legislation and Policy retired on July 31, 2007 after over 35 years with the Department. Pete joined the State Banking Department, the predecessor agency to the Department of Financial Institutions in 1972 as a junior examiner and held a variety of positions in the Department during his career. He served as the Legislative Liaison from 1983 to 1985, was appointed Deputy Superintendent of Banks – Sacramento in 1991, and Deputy Superintendent of Banks – Office of Policy, Planning & Research from 1992 -1996. He was appointed Deputy Commissioner of Legislation and Policy in March 2005.

In November 2005 Pete was acknowledged for his contributions to the leadership and management of the department and for his commitment to the Department's mission to ensure the integrity and stability of California's financial services system through the regulation and supervision of state-licensed financial institutions. Pete was again recognized in 2007 with the Commissioner's Award for taking on additional duties, including Acting Chief Administrative Officer and Acting Performance Measures Manager in addition to his legislative and policy work.

Commissioner Attends Consumer Home Mortgage Town Hall Events

Department of Financial Institutions (DFI) Commissioner Michael A. Kelley attended Consumer Home Mortgage Town Hall events on Saturday, July 14, 2007 at the California Baptist University - Yeager Center in Riverside and on Saturday, July 21 at Our Lady of Holy Rosary Church in Sun Valley.

The Riverside and Sun Valley events are part of a series of community events coordinated by the Department of Consumer Affairs, State and Consumer Services Agency, and the Business, Transportation and Housing Agency in partnership with local legislators, to help educate the public about homeownership. The Riverside Town Hall was hosted by Senator Bob Dutton and Assembly Members John Benoit, Paul Cook, Bill Emmerson, and Kevin Jeffries. The Sun Valley event was hosted by Senator Padilla and Assembly Member Felipe Fuentes.

State officials and experts provide presentations and information on mortgages and making the most of homeownership. Efforts also include consumer education, enforcement against unscrupulous licensees, and new regulations to ensure consumers better understand the loan products that are available.

"Together, we can assist borrowers by helping them obtain information on financial transactions including mortgages and refinancing, tips on working with lenders, and filing a complaint with the appropriate regulatory agency if a borrower believes a violation of the law has occurred," said Commissioner Kelley. "We are encouraging consumers to bring their loan documents and/or all financial-related questions and get straight answers from state regulators," Kelley added.

In addition to the Town Hall events, a Consumer Home Mortgage Web site was launched in May, www.yourhome.ca.gov, which is also available in Spanish at www.sucasa.ca.gov and provides consumers with links to an array of helpful mortgage resources. The online information allows consumers to address their unique situations, with links for consumers who are looking to purchase a home and for those who need help with an existing mortgage. The Web site also posts scheduled town hall event information.

DFI Terminates Consent Agreement with Western Union

The California Department of Financial Institutions (DFI) announced today that the Department has terminated the Consent Agreement entered into with Western Union dated August 14, 2003. The termination of the Consent Agreement followed an examination by the DFI and numerous meetings with Western Union management and compliance officials.

The Consent Agreement required that Western Union take steps to strengthen its compliance with California law and federal anti-money laundering and Bank Secrecy Act (BSA) requirements, as well as strengthen the supervision of its agents. California law requires that all persons authorized to transmit money abroad comply with all applicable state and federal laws.

Western Union also was obligated to spend at least \$5 million on its BSA compliance program, and its program for the training and supervision of its agents in California over the course of the Consent Agreement.

2007-08 Assessment

Commercial Banks, Foreign Banks and Trust Companies

Assessment invoices were mailed to commercial banks, foreign banks and trust companies on July 10, 2007.

For the purposes of the 2007-08 assessment, the base rate is set at \$1.41, a five-cent increase (\$0.05) over the \$1.36 rate charged in the 2006-07 assessment. Invoices were mailed to each licensee on July 10, 2007 and became delinquent if not paid by July 30, 2007. The statutory maximum rate is \$2.20 per thousand dollars of total assets.

While the assessment rate has remained the same over the prior two years, a nominal increase is necessary this year to fund a \$4.4 million increase in the Department's bank examination program. The increased expenses are due to the recent employee compensation increases approved by the Legislature which increased the personal services costs for the banking program by \$2.7 million, in addition to an augmentation of \$1.7 million to provide additional examination resources to enhance the Department's oversight of e-banking activities. The Department has been able to mitigate the need for a substantially larger assessment rate increase due to growth in its licensees' asset base, as well as through careful management of its existing budgetary resources, enabling it to minimize the extent of the assessment rate increase.

Industrial Banks

The assessment rate for industrial banks this year at \$0.80231 per thousand dollars of total assets has remained unchanged since 2003. The statutory maximum rate is \$2.20 per thousand dollars of total assets. Invoices were mailed to each licensee on July 12, 2007 and became delinquent if not paid by August 1, 2007. Insurance premium finance companies will be assessed on November 30, 2007.

Credit Unions

The 2007-08 assessment rate is \$0.447282343, per thousand dollars of total assets, unchanged from last year's rate. Invoices were mailed to each licensee on July 12, 2007 and became delinquent if not paid by August 1, 2007. The statutory maximum rate is \$2.20 per thousand dollars of total assets.

Commercial Bank Activity

New Bank

Bank of Feather River

Gateway Business Park, 950 Tharp Road, Building 1200, Yuba City, Sutter County

Correspondent: Joseph D. Reid III

Capitol Bancorp Limited

200 Washington Square North

Lansing, MI 48933

(517) 487-6555

Name changed: on 7/2/07 from Feather River Bank

Approved: 7/13/07

California Bank of Commerce

270 Lafayette Circle, Lafayette, Contra Costa County

(925) 283-2265

(925) 283-2269 (fax)

Officers: John Rossell, President and Chief Executive Officer

John Thomas Byron, Chief Financial Officer

John Lindstedt, Chief Credit Officer

Capitalization: \$27,500,000.00

Opened: 7/17/07

California Republic Bank

1400 Newport Center Drive, Newport Beach, Orange County

Correspondent: Russell W. Bushore

Carpenter & Company

Five Park Plaza, Suite 950

Irvine, CA 92614

(949) 261-8888

Approved: 7/10/07

Suncrest Bank

400 W. Center Avenue, Visalia, Tulare County

Correspondent: Michael T. Wilson

814 W. Center Avenue, Suite F

Visalia, CA 93291

(559) 622-8841

Filed: 7/10/07

Merger

Landmark National Bank, Solana Beach, to merge with and into 1st Pacific Bank of California, La Jolla

Effected: 7/1/07

Acquisition of Control

WCB Holdings, Inc. to acquire control of Western Commercial Bank

Filed: 6/14/07

Approved: 7/20/07

Sale of Partial Business Unit

Wilshire State Bank, Los Angeles, California, to sell the Flushing Branch to Royal Asian Bank, Philadelphia, Pennsylvania

Effected: 7/6/07

Purchase of Partial Business Unit

Wilshire State Bank, Los Angeles, California, to acquire the Fort Lee Branch of Royal Bank America, Narbeth, Pennsylvania

Effected: 7/6/07

Conversion to State Charter

Pacific Commerce Bank, N.A., Los Angeles, to convert from national charter under the name of Pacific Commerce Bank

Approved: 7/13/07

Premium Finance Company Activity**New Premium Finance Company**

AMGRO Premium Financing, Inc.

1410 Rocky Ridge Road, Roseville, Placer County

Opened: 7/1/07

Acquisition of Control

AIG Capital Corp., to acquire control of AICCO, Inc.

Filed: 6/8/07

Approved: 6/26/07

AIG Capital Corp., to acquire control of Imperial Premium Finance, Inc.

Filed: 6/8/07

Approved: 6/26/07

Voluntary Surrender of License

GD Financial Corporation

2424 Hoover Avenue, National City, San Diego County

Effected: 7/26/07

Industrial Bank Activity

Acquisition of Control

Gerald J. Ford, Diamond A Financial, L.P., and Ford Diamond III Corporation, to acquire control of Fremont Investment & Loan

Filed: 6/14/07

Foreign (Other State) Bank Activity

New Facility

Allegiance Direct Bank, Inc. (Facility – Insured Bank)
2616 Bungalow Place, Corona del Mar, Orange County
Opened: 7/16/07

Choice Bank (Facility – Insured Bank)
441 Marketview, Irvine, Orange County
Notified: 7/2/07

Credit Union Activity

Field of Membership

Three credit unions received approvals to add four new field of membership during June 2007.

Bylaw Amendment

Three credit unions received approval for three bylaw amendments during June 2007.

Merger

California's First Federal Credit Union, Garden Grove, to merge with and into California Agribusiness Credit Union, Buena Park
Approved: 6/5/07
Effectuated: 7/2/07

Capital Power Credit Union, Sacramento, to merge with and into SAFE Credit Union, North Highlands
Effectuated: 7/26/07

Knudsen Federal Credit Union, City of Industry, to merge with and into California Agribusiness Credit Union, Buena Park
Approved: 6/5/07
Effectuated: 7/2/07

Merriam Federal Credit Union, Chatsworth, to merge with and into Matadors Community Credit Union, Chatsworth
Filed: 6/5/07
Approved: 6/13/07

Transmitter of Money Abroad Activity

New Transmitter of Money Abroad

Coinstar E-Payment Services, Inc.

Opened: 7/31/07

Metro Remittance Center (California), Inc.

Opened: 7/31/07

Voluntary Surrender of License

Integrated Payment Systems, Inc.

Effectuated: 7/3/07

International Remittance (USA) Corporation

Effectuated: 7/3/07

Money Express Financial Corp.

Effectuated: 7/3/07

MICHAEL A. KELLEY

Commissioner of Financial Institutions

Bulletin for Month ended
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to Financial Code section 258



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